

31 October 2025

India | Equity Research | Results Update

Mahanagar Gas

Oil & Gas

Volume remains strong; multiple factors drive weakest margin in 13 quarters

Mahanagar Gas (MGL) delivered volume growth with a 9% YoY jump in volume to 4.6mmscmd, including UEPL. However, sharply lower APM allocation, INR depreciation and higher spot LNG drove EBITDA/scm to a 13-quarter low. Resultantly, adj EBITDA/PAT dipped 13%/18% QoQ to INR 3.4/INR 1.9bn (I-Sec estimate of INR 4.0/2.7bn). MGL's Q2FY26 standalone result includes UEPL after NCLT-approved amalgamation on 23rd Jul'25, making YoY figures non-comparable, with only Q1FY26 figures restated. We maintain our positive stance, even as Q2 result does drive material EPS/TP downgrade and a lower margin profile in the long term. Higher term volume from Jan'26, moderation in spot LNG, potential price increases and low valuation support a continued **BUY recommendation**; we revise TP to INR 1,525 (from INR 1,775).

Strong volume growth; UEPL formally a part of MGL now

MGL has seen strong volume momentum in the last few quarters. Volume of 4.6mmscmd in Q2; is the first quarter post the merger of UEPL and rose 9% YoY on restated Q2FY25 numbers. CNG (3.3mmscmd, +7% YoY), domestic (0.58mmscmd, +10% YoY) and industrial/commercial (+0.76mmscmd, +19% YoY) reflect strong YoY momentum, which should continue to be driven by: 1) Higher additions of CNG buses by MSRTC/BEST – plan to add >400 new CNG buses; 2) continued strength in vehicle conversions across CNG categories with support from light/heavy commercial vehicles; 3) steady infra expansion; 4) build up of LNG retail. We see strong volume CAGR of 9.6% over FY26–28E, with GA-3 (Raigadh) and UEPL driving the momentum over the next 2-3 years.

Multiple factors impact margins, partial mitigation seen over the next 6-9 months

MGL reported EBITDA/scm of INR 8, down 16% QoQ, lowest since Q2FY23. INR depreciation (impact of INR 0.5/scm), higher effective APM cost [INR 0.2/scm impact) and higher spot LNG (INR 0.7/scm impact) drove the margin miss with APM cut to be replaced by new well priced gas, moderating LNG. Management has guided for steady improvement in margins driven by i) partial restoration of APM/NWG and additional HP/HT gas available in next two quarters, ii) more term contracts to be signed in Jan'26 and iii) potential price increases. Nevertheless, guidance for margin remains muted vs. earlier and has been factored into our revised (lower) estimates.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	71,764	81,810	90,218	1,00,674
EBITDA	15,067	14,730	16,433	18,407
EBITDA %	21.0	18.0	18.2	18.3
Net Profit	9,779	8,882	9,719	10,754
EPS (INR)	99.0	89.9	98.4	108.9
EPS % Chg YoY	(24.1)	(9.2)	9.4	10.6
P/E (x)	12.8	14.1	12.9	11.7
EV/EBITDA (x)	7.3	7.4	6.5	5.7
RoCE (Pre-tax) (%)	21.0	16.3	16.3	16.5
RoE (%)	17.7	14.4	14.4	14.5

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Market Data

Market Cap (INR)	126bn
Market Cap (USD)	1,416mn
Bloomberg Code	MAHGL IN
Reuters Code	MGAS BO
52-week Range (INR)	1,587 / 1,075
Free Float (%)	57.0
ADTV-3M (mn) (USD)	4.5

Price Performance (%)	3m	6m	12m
Absolute	(10.0)	(5.5)	(11.8)
Relative to Sensex	(13.5)	(10.7)	(17.4)

ESG Score	2023	2024	Change
ESG score	69.3	69.9	0.6
Environment	45.0	52.6	7.6
Social	69.2	71.9	2.7
Governance	80.8	79.9	(0.9)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E	FY28E
Revenue	4.4	4.5	4.7
EBITDA	(5.8)	(7.6)	(5.1)
EPS	(14.5)	(15.2)	(11.4)

Previous Reports

24-07-2025: [Q1FY26 results review](#)

09-06-2025: [Company Update](#)

APM allocation should continue to reduce

Post multiple rounds of cuts in APM gas in Oct–Nov’24 and again in Apr’25 (offset by a partial restoration in Jan’25), blended % of APM gas is now 35%, with some gas via New Well Pricing (NWP) taking overall domestic gas to 60–65%. However, with the trend in reducing production becoming clearer, we see those percentages continuing to decline and duly factor in a 10–12% annualised decline in our base case estimates.

We continue to be optimistic on volume growth

Despite the slightly elevated pricing scenario, we note that our volume growth estimates for the next couple of years remain optimistic, driven by:

- Increasing penetration of CNG infrastructure not just in operating areas of the listed companies, but also in contiguous areas around their GAs – this has created a larger pool of vehicles including commercial vehicles (CVs) for CNG conversions.
- Stronger growth from new areas of Raigadh and the GAs of UEPL. The low base and aggressive roll out of CNG infra in these areas is expected to deliver growth in the high 20s (%) and support the guidance of 9–10% growth for MGL group overall over FY26–30E.
- Higher running cost of inter-city transport improves the economics for CNG vs. alternate fuels and even with lower discounts to diesel post price hikes, we believe running costs for commercial vehicles may remain attractive to drive higher volume growth.
- CGDs need to retain a balance between margins and volume growth – we believe they may take a hit to a certain extent on gas costs and prioritise volume growth at this point of time.

Revisions in EPS estimates; reiterate BUY

We have adjusted our estimates downwards to factor in downgrades in margin assumptions, to take cognisance of Q2FY26 performance and cuts to margin estimates for FY26–28E. We revise our FY26E/27/28E EPS downwards by 14.5/15.2/11.4%, respectively. While the margin hit is material and our DCF methodology also factors in a lower EBITDA/scm assumption of INR 8.75/scm (INR 9/scm earlier) now, we remain optimistic on MGL’s prospects over the next five years, with clear long-term visibility on volumes, still peer-leading margins, RoE/RoCE of >14%, dividend yield of 3% and very attractive valuation of ~11.7x FY28E PER and EV/EBITDA of 5.7x which we believe may more than offset the margin woes and lower EPS growth trajectory vs. earlier. Our revised TP of INR 1,525 (prior INR 1,775) implies a 20% upside from CMP. Maintain **BUY**.

We also note, current PER multiple of 11.7x FY28E is still well below ~**15.9x FY28E PER** for IGL, which we believe should narrow down, given the parity in earnings performance that we estimate for FY26–28E. Even at our TP, PER for FY28E rises only to ~14x, at a substantial discount to peers, which leaves sufficient buffer for negative surprises.

Downside risks: 1) Higher-than-expected spike in gas cost. 2) Inability to pass on gas cost increases. 3) Sharper fall in alternate fuel prices for CNG (petrol/diesel).

Upside risks: 1) Softer LNG prices. 2) Faster execution of new area development and delta from Unison. 3) Aggressive regulatory support in MMR region.

Q2FY26 result: Takeaways from conference call

Operational performance

- In Q2, the company demonstrated robust operational growth across its core segments. A total of 53,566 new domestic households were added, bringing the cumulative number of households connected to 2.94mn as of Sep'25. Additionally, the company laid 87.4 km of polyethylene (PE) and steel pipelines, resulting in a total network length of 8,061 km by the end of the reporting period. The industrial and commercial (I/C) customer base also saw expansion, with the addition of 116 new customers, raising the total to 5,316 as of Sep'25. Furthermore, 14 new CNG stations were commissioned, taking the total number of operational CNG stations to 485.
- The company added 27,150 new CNG vehicles in Q2, increasing the total CNG vehicle population to 1.22mn within MGL's geographical areas (GAs). In the first half of FY26 (H1FY26), 59,400 CNG vehicles were added, a significant rise compared to 44,500 in H1FY25. Notably, approximately 10,000 CNG vehicles were added in Oct'25 alone.

Volume and Margins

- Total gas volume in H1FY26 reached 4.5mmscmd, a YoY growth of 9.9% compared to 4.1 mmscmd in H1FY25. However, Q2FY26 saw a decline in margins relative to Q1FY26. This was attributed to i) a marginal reduction in the share of APM gas, which decreased from 1.7mmscmd in Q1FY26 to 1.68mmscmd in Q1FY26, ii) increased reliance on spot LNG and HPHT gas (share of NWP gas fell from 0.5mmscmd in Q1FY26 to 0.35 mmscmd in Q2FY26, raising costs by ~INR 0.7/scm), iii) INR/USD depreciation (cost increase of INR 0.5/scm) and iv) higher APM gas cost for Q2 with CBG blending, at USD 7 per MMBtu, which had an impact of INR 0.22/scm.
- Industrial and commercial realisation, which is linked to alternate fuel prices, also declined, due in a notable reduction in bulk LPG prices. This resulted in a lower realisation of INR 2 per scm for the segment. Overall, margin pressures were primarily driven by increased procurement costs, weaker alternative fuel prices, and changes in gas mix. The company has provided Q3FY26 EBITDA margin guidance of INR 8.5 per scm, with expectations for improvement in Q4FY26 as new long-term contract volumes commence. Management has reaffirmed its commitment to maintaining an EBITDA margin of 8.5–9.5 per scm over long term, alongside the projected volume growth of 9–10%.

Gas Sourcing Details and Cost

- On gas sourcing front, the company utilised a diversified supply mix. The Henry Hub-linked long-term contract accounted for 1.45mmscmd, HPHT gas for 0.5mmscmd, HPHT gas from RIL for 0.1mmscmd, and HPHT/RLNG sourced via IGX ranged from 0.3 to 0.4mmscmd. All long-term gas contracts are fully utilised, and additional new long-term contracts are set to begin from Jan'26.
- The landed cost for APM gas was between INR 24–25 per scm, HPHT/NWP was INR 32–37 per scm, and RLNG was INR 40–42 per scm. It is noteworthy that the share of APM gas has sharply declined to 35%, compared to 80–90% two years ago.

Capex and Expansion Plans

- The company continues to push forward with its expansion agenda. In FY25, 66 new CNG stations were added, and the target for FY26 is 80 stations. Within the first half of FY26, 17 stations were commissioned, and several daughter booster stations are planned to be converted to the online type. The annual capital expenditure guidance stands at INR 1.5–3bn for UEPL and INR 9–10bn for MGL.

Growth Highlights

- Memorandums of Understanding (MoUs) have been signed for the provision of 600 CNG buses to state transport undertakings and other agencies, including 200 CNG buses for BEST and 240 retrofits for Thane Municipal Corporation. The company anticipates overall volume growth to surpass 12% in FY26, with expected growth of 6–7% in GA1, 10–12% in GA2, and above 15% in GA3. Reported volumes from GA1 and GA2 were each in the range of 1.95–2.0mmscmd, GA3 was 0.35mmscmd, and UEPL contributed 0.25mmscmd. Q3FY26 volume is projected to increase further, driven by the new fleet programme. Additionally, two new CNG stations are under development in South Mumbai.

Financial and Corporate Updates

- The National Company Law Tribunal (NCLT) approved the company's scheme of amalgamation via an order dated 23/07/2025, and prior financials were reinstated accordingly. Following the amalgamation, the company expects to realise tax benefits of INR 350mn by revising income tax returns for FY23, FY24, and FY25. Other consolidated income declined YoY, primarily due to lower returns from mutual funds and the removal of certain fees. Staff costs rose in Q2, influenced by pay revision, actuarial adjustments, and employee awards.

Policy and Industry Updates

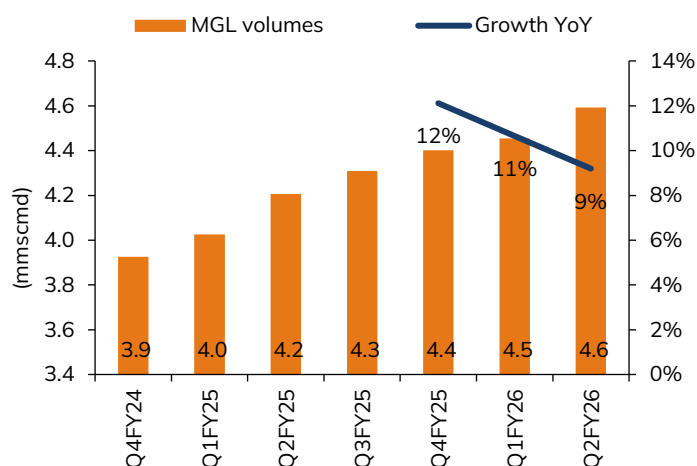
- The Maharashtra Electric Vehicle (EV) policy is in effect; however, it currently lacks a clear implementation mechanism. EV adoption among three-wheelers remains very limited, largely due to insufficient charging infrastructure. Only a few BEST buses in Maharashtra operate on EVs, and private EV vehicles are generally used as secondary cars by their owners. The Maharashtra pollution study has been completed, with the report scheduled for submission to the government shortly. The IBC manufacturing unit, with a planned capex of INR 8bn, is yet to be established and is expected to have minimal impact on the topline and bottomline in the medium term.

Exhibit 1: Q2FY26 result snapshot

INRm	Q2FY26	Q2FY25	YoY (%)	Q1FY26**	QoQ %	H1FY26	H1FY25	YoY (%)
Sales	20,392	17,063	19.5	19,579	4.2	39,971	34,346	16.4
EBITDA	3,380	3,985	(15.2)	3,878	(12.9)	7,258	8,503	(14.6)
Adj. PAT	1,934	2,828	(31.6)	2,361	(18.1)	4,291	5,760	(25.5)
EPS (INR)	19.6	28.6	(31.6)	23.9	(18.1)	43.4	58.3	(25.5)
Depreciation	1,038	735	41.3	959	8.2	1,997	1,666	19.9
Sales (mmscm)	423	372	13.6	405	4.3	828	753	9.9
Sales (mmscmd)	4.6	4.0	13.6	4.5	3.1	4.5	4.1	9.9
CNG sales (mmscm)	299	265	12.8	290	3.3	589	546	7.9
PNG sales (mmscm)	123	106	15.8	115	6.7	239	207	15.1
Gross margin (INR/scm)	14.5	16.8	(13.7)	16.0	(9.1)	15.3	16.6	(8.1)
EBITDA margin (INR/scm)	8.0	10.7	(25.4)	9.6	(16.4)	8.8	11.3	(22.3)
EBITDA Margin (%)	16.6%	23.4%		19.8%		18.2%	24.8%	(26.7)
CNG sales (INR mn)	14,553	11,836	23.0	14,019	3.8	28,572	24,238	17.9
CNG realisations (INR/scm)	48.6	44.6	9.0	48.4	0.5	48.5	44.4	9.2
PNG sales (INR mn)	5,839	5,227	11.7	5,561	5.0	11,400	10,108	12.8
PNG realisations (INR/scm)	47.4	49.1	(3.5)	48.2	(1.6)	47.8	48.8	(2.0)
Gross margin (INR Mn)	6,145	6,262	(1.9)	6,482	(5.2)	12,627	13,038	(3.2)
Opex	6.8	6.3	8.2	6.7	1.5	6.7	6.3	7.7

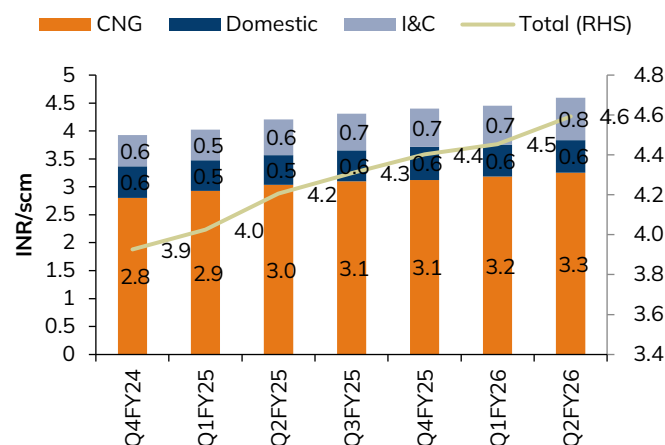
Source: I-Sec research, Company data, ** UEPL financials reinstated and hence not comparable on YoY basis

Exhibit 2: Another strong volume growth in Q2



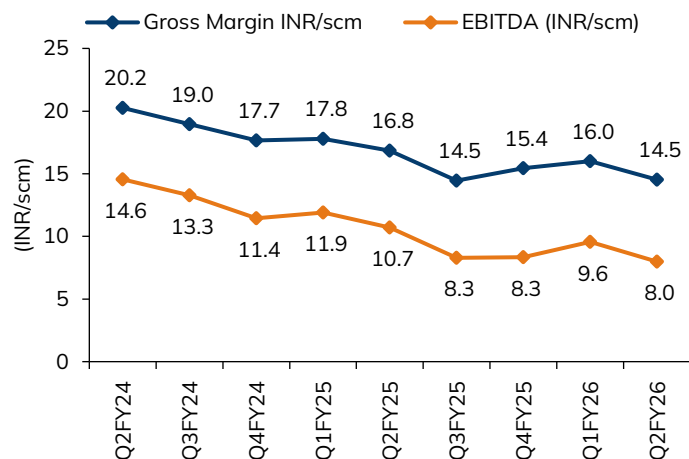
Source: Company data, I-Sec research; includes UEPL volumes

Exhibit 3: Segment-wise volume trends



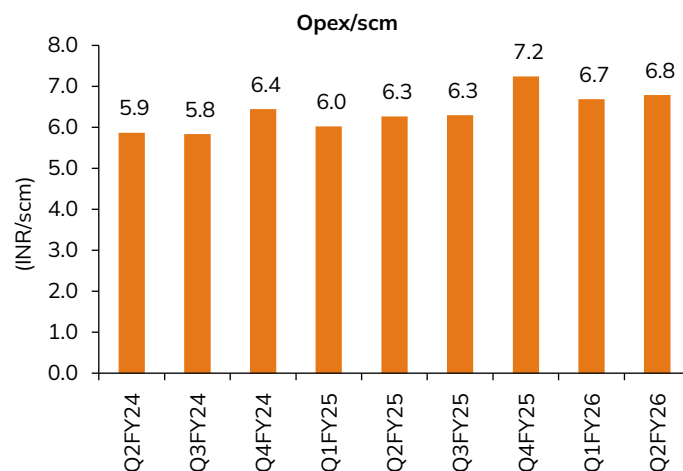
Source: Company data, I-Sec research; includes UEPL volumes

Exhibit 4: Moderation in margin YoY/QoQ on higher gas costs



Source: Company data, I-Sec research

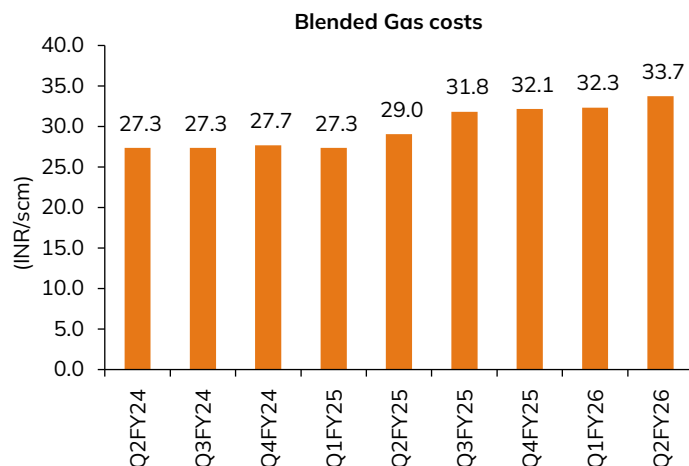
Exhibit 5: Opex/scm has increased YoY/QoQ



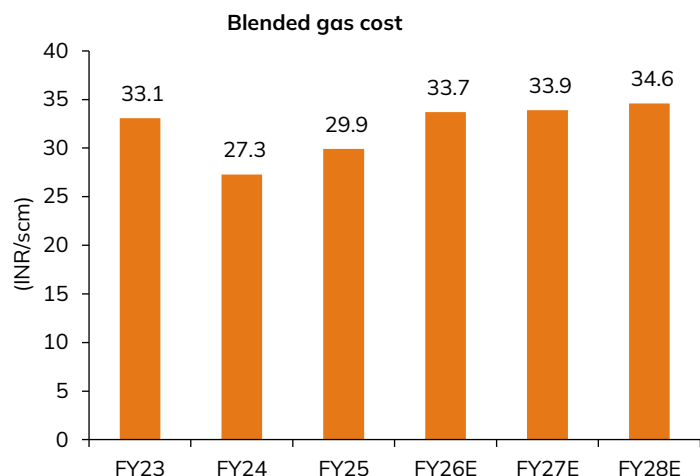
Source: Company data, I-Sec research

Exhibit 6: Sales realisation increased YoY...

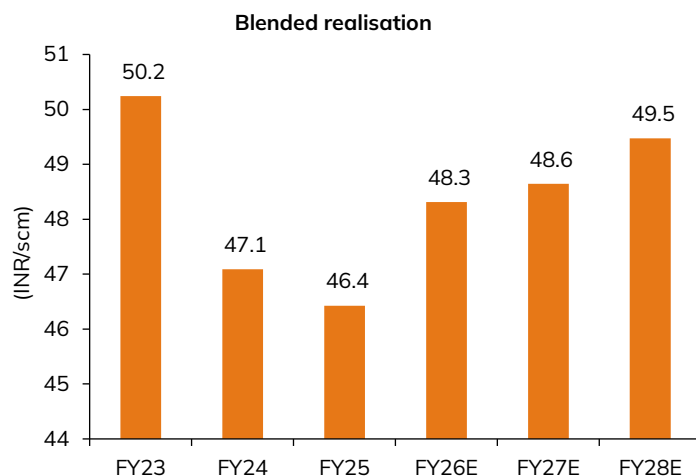
Source: Company data, I-Sec research

Exhibit 7: ...so has gas cost

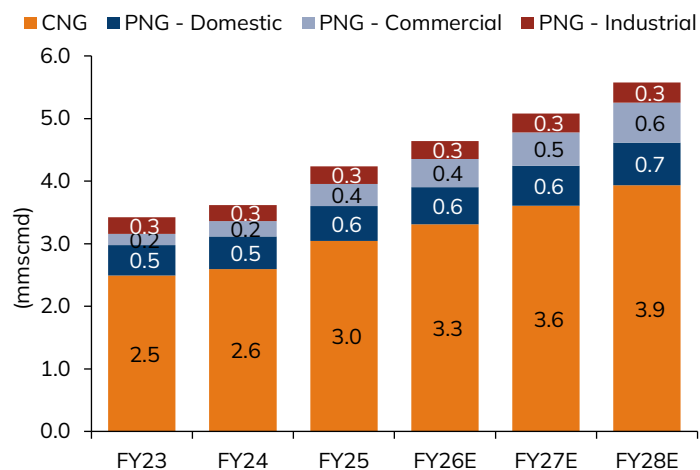
Source: Company data, I-Sec research

Exhibit 8: MGL's gas cost may increase gradually over FY26-28E

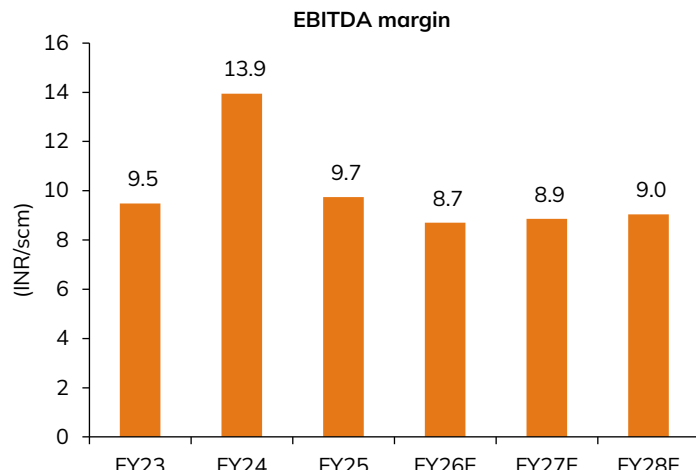
Source: Company data, I-Sec research

Exhibit 9: Blended realisation to keep pace

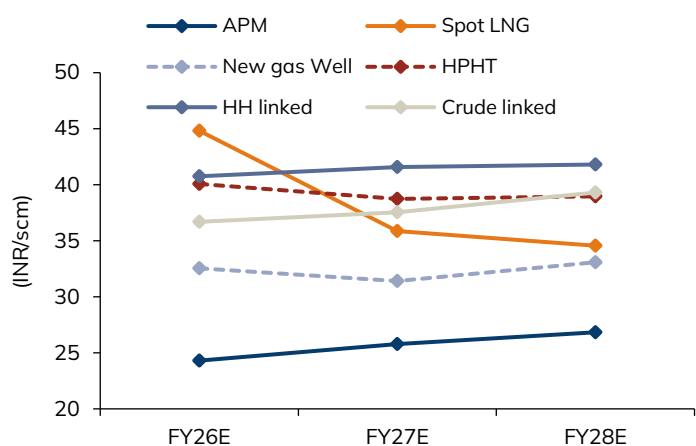
Source: Company data, I-Sec research

Exhibit 10: Volume growth may be subject to pricing balance

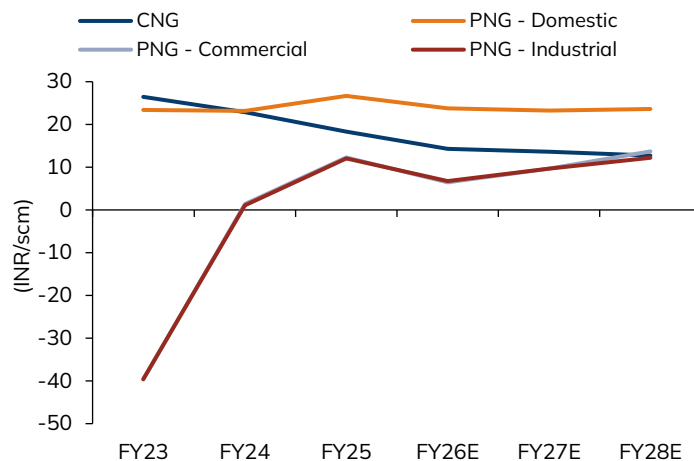
Source: Company data, I-Sec research

Exhibit 11: Margin to improve slightly over FY26-28E

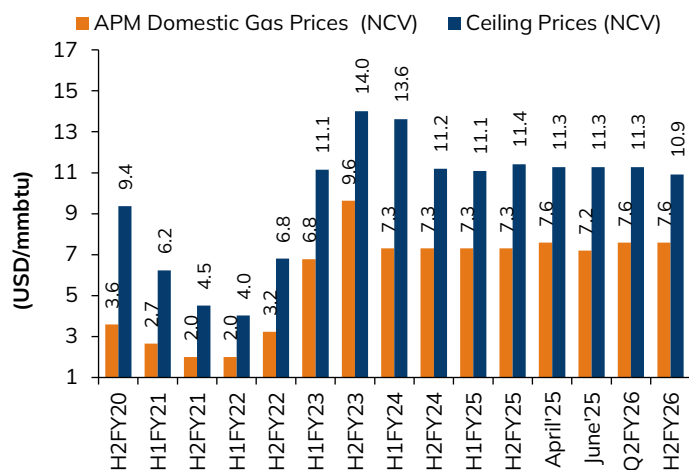
Source: Company data, I-Sec research

Exhibit 12: Sourcing gas costs over FY26-28E

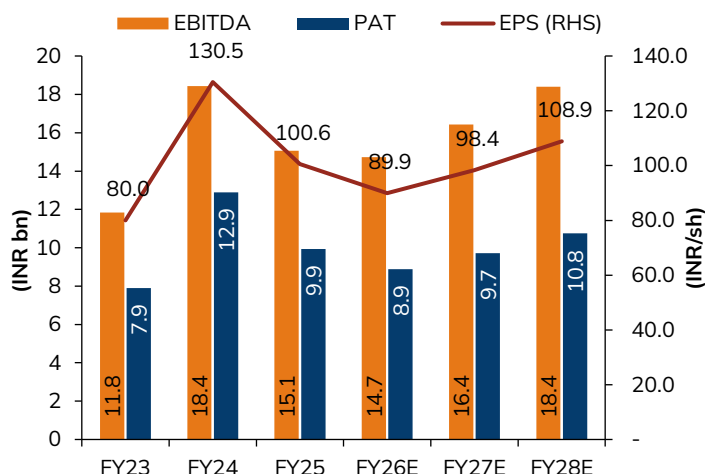
Source: Company data, I-Sec research

Exhibit 13: Segment-wise margin trend

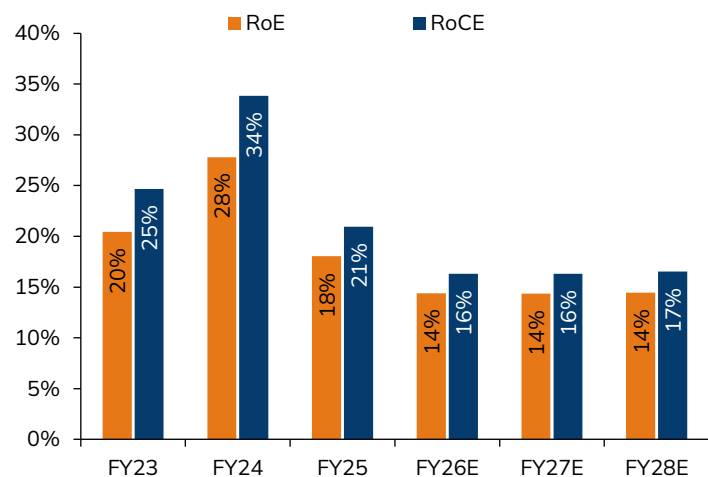
Source: Company data, I-Sec research

Exhibit 14: APM and HPHT gas price trend on NCV basis

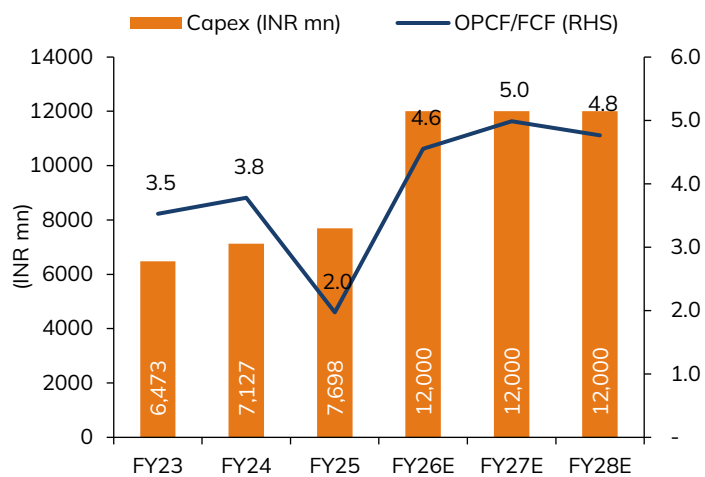
Source: Company data, I-Sec research

Exhibit 15: EBITDA/ EPS CAGR at 11.8/10% over FY26-28E

Source: Company data, I-Sec research

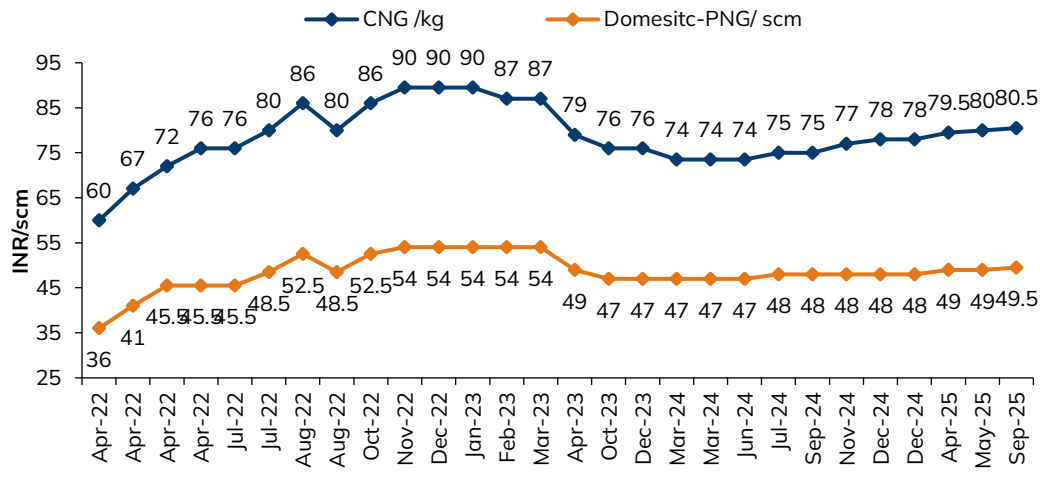
Exhibit 16: Return ratios to moderate over FY26-28E

Source: Company data, I-Sec research

Exhibit 17: Capex of INR 36bn estimated over FY26-28E

Source: Company data, I-Sec research

Exhibit 18: MGL's price trends for CNG and domestic PNG



Source: Company data, I-Sec research

Valuation: TP of INR 1,525 implies ~20% upside from CMP

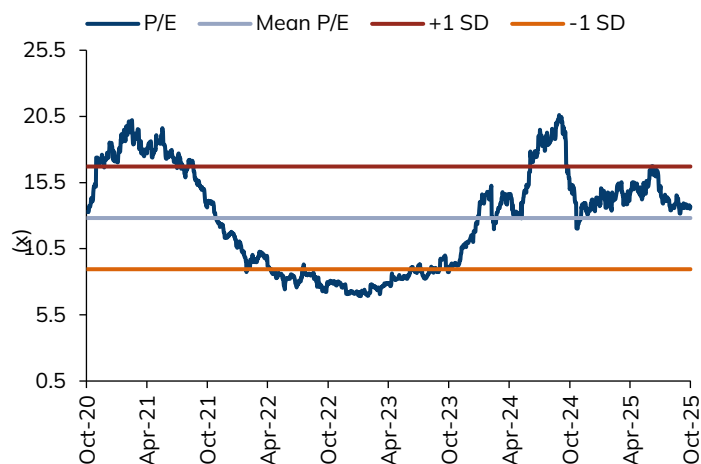
We value MGL on DCF methodology, using a WACC of 10.9%, DER of 35%, long term EBITDA assumption of INR 8.8/scm and terminal growth rate of 3.4%. In the long term, we build in muted volume growth beyond FY30E as well as flattish margins, given our caution around longer-term growth expectations. Our DCF value delivers a target price of INR 1,525, ~20% upside from CMP. The stock trades at a steep discount to peers despite materially improved prospects in next 2-3 years, underpinning our positive stance. Maintain **BUY**.

Exhibit 19: Valuation summary

	Assumption
Cost of Equity	13.0%
Cost of Debt	7.3%
Post tax cost of debt	4.8%
Average D/E ratio	35.0%
WACC	10.9%
Terminal Growth rate	3.4%
Total NPV potential (INR mn)	1,50,605
TP (INR.sh)	1,525
CMP (INR.sh)	1,272
Upside/(downside)	20%

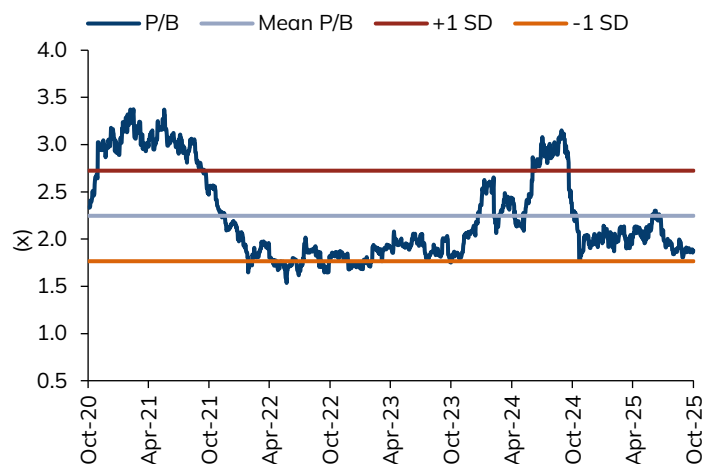
Source: Company data, I-Sec research

Exhibit 20: MGL's P/E trading near 5-year band



Source: Company data, I-Sec research

Exhibit 21: MGL's P/B trading below 5-year band



Source: Company data, I-Sec research

Exhibit 22: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	32.5	32.5	32.5
Institutional investors	47.6	48.0	46.5
MFs and other	13.3	10.9	11.2
FIs/ Banks	0.3	0.5	0.9
Insurance Cos.	10.3	11.2	10.8
FII	23.8	25.5	23.6
Others	19.9	19.5	21.0

Source: Bloomberg, I-Sec research

Exhibit 23: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 24: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	71,764	81,810	90,218	1,00,674
EBITDA	15,067	14,730	16,433	18,407
EBITDA Margin (%)	21.0	18.0	18.2	18.3
Depreciation & Amortization	3,517	4,663	5,383	6,103
EBIT	11,550	10,066	11,049	12,303
Interest expenditure	138	50	50	50
Other Non-operating Income	1,660	1,856	1,993	2,123
PBT	13,073	11,873	12,992	14,376
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	3,294	2,991	3,273	3,622
PAT	9,779	8,882	9,719	10,754
Less: Minority Interest	-	-	-	-
Net Income (Reported)	9,779	8,882	9,719	10,754
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	9,779	8,882	9,719	10,754

Source Company data, I-Sec research

Exhibit 25: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	8,749	8,505	9,072	9,532
of which cash & bank	3,328	4,227	4,484	4,556
Total Current Liabilities & Provisions	18,745	21,242	23,404	24,196
Net Current Assets	(9,996)	(12,737)	(14,332)	(14,664)
Other Non Current Assets	3,254	3,254	3,254	3,254
Net Fixed Assets	48,442	55,779	62,395	68,292
Other Fixed Assets	-	-	-	-
Capital Work in Progress	10,621	10,621	10,621	10,621
Non Investment	-	-	-	-
Current Investment	11,779	12,957	14,252	15,678
Deferred Tax Assets	-	-	-	-
Total Assets	64,100	69,873	76,190	83,181
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	3,111	3,111	3,111	3,111
Lease Liability	-	-	-	-
Other Liabilities	2,205	2,205	2,205	2,205
Equity Share Capital	988	988	988	988
Reserves & Surplus*	57,797	63,570	69,887	76,877
Total Net Worth	58,785	64,558	70,875	77,865
Minority Interest	-	-	-	-
Total Liabilities	64,100	69,873	76,190	83,181

Source Company data, I-Sec research

Exhibit 26: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	17,522	17,961	19,579	20,392
% growth (YoY)	2.7%	2.5%	9.0%	4.2%
EBITDA	3,144	3,150	3,878	3,380
Margin %	17.9%	17.5%	19.8%	16.6%
Other Income	463	464	319	289
Extraordinaries	-	634	1129	0
Adjusted Net Profit	2,254	2,051	2,361	1,934

Source Company data, I-Sec research

Exhibit 27: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash Flow from operation before working Capital	15,541	14,730	16,433	18,407
Working Capital Changes	830	3,640	1,852	404
Tax	(2,687)	(2,991)	(3,273)	(3,622)
Operating Cashflow	13,685	15,379	15,011	15,188
Capital Commitments	(10,686)	(12,000)	(12,000)	(12,000)
Free Cashflow	2,999	3,379	3,011	3,188
Others CFI	(474)	679	697	697
Cashflow from Investing Activities	(11,160)	(11,321)	(11,303)	(11,303)
Inc (Dec) in Borrowings	-	-	-	-
Interest Cost	-	(50)	(50)	(50)
Others	(3,359)	(3,109)	(3,402)	(3,764)
Cash flow from Financing Activities	(3,359)	(3,159)	(3,452)	(3,814)
Chg. in Cash & Bank balance	(834)	899	257	72
Closing cash & balance	3,328	4,227	4,484	4,556

Source Company data, I-Sec research

Exhibit 28: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	99.0	89.9	98.4	108.9
Diluted EPS	99.0	89.9	98.4	108.9
Recurring Cash EPS	134.6	137.1	152.9	170.7
Dividend per share (DPS)	30.0	31.5	34.4	38.1
Book Value per share (BV)	595.1	653.6	717.5	788.3
Dividend Payout (%)	30.3	35.0	35.0	35.0
Growth (%)				
Net Sales	15.4	14.0	10.3	11.6
EBITDA	(18.2)	(2.2)	11.6	12.0
EPS	(24.1)	(9.2)	9.4	10.6
Valuation Ratios (x)				
P/E	12.8	14.1	12.9	11.7
P/CEPS	9.4	9.3	8.3	7.5
P/BV	2.1	1.9	1.8	1.6
EV / EBITDA	7.3	7.4	6.5	5.7
EV / Operating Income	8.4	9.1	8.2	7.3
Dividend Yield (%)	2.4	2.5	2.7	3.0
Operating Ratios				
EBITDA Margins (%)	21.0	18.0	18.2	18.3
Effective Tax Rate (%)	25.2	25.2	25.2	25.2
Net Profit Margins (%)	13.6	10.9	10.8	10.7
NWC / Total Assets (%)	(15.6)	(18.2)	(18.8)	(17.6)
Fixed Asset Turnover (x)	1.2	1.1	1.1	1.1
Working Capital Days	(0.7)	(10.2)	(16.9)	(20.6)
Net Debt / Equity %	(25.7)	(26.6)	(26.4)	(26.0)
Profitability Ratios				
RoCE (%)	15.7	12.2	12.2	12.4
RoCE (Pre-tax) (%)	21.0	16.3	16.3	16.5
RoE (%)	17.7	14.4	14.4	14.5

Source Company data, I-Sec research

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